

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO IMMEDIATE

C O N F I D E N T I A L STATE 074576

FOLLOWING REPEAT STATE 74576 ACTION BONN PARIS

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QTE

C O N F I D E N T I A L STATE 074576

E.O. 11652: GDS

TAGS:EFIN, CI

SUBJECT:CHILE DEBT RESCHEDULING

REFS: (A) PARIS 7971; (B) BONN 5171, (C) STATE 69960

1. FOR PARIS: PLEASE MAKE FOLLOWING POINTS TO ELYSEE AND
FINANCE MINISTRY AT THE HIGHEST APPROPRIATE LEVEL AS SOON AS
POSSIBLE.

2. GIVEN THE STRONG PREFERENCE OF THE GOVERNMENT OF FRANCE
FOR AN INFORMAL MEETING OF CREDITORS ONLY AND THE GOF'S
VIEW, ACCORDING TO DUTET (PARIS REFTTEL), THAT SUCH A CREDI-
TORS' MEETING COULD ACCOMPLISH A GREAT DEAL, WE WOULD
AGREE TO SUCH A CREDITORS' MEETING IN APRIL. WE ASSUME THAT
THE GOVERNMENT OF FRANCE INTENDS TO INVITE ALL PARIS CLUB
CREDITORS. HOWEVER, SINCE THIS IS TO BE AN INFORMAL MEETING
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AND SINCE MOST MAJOR CREDITORS APPARENTLY INTEND TO PARTICI-

PATE (FRANCE, U.S., FRG, JAPAN) AS WELL AS SEVERAL OTHER CREDITORS, IT WOULD APPEAR THAT PROCEEDING WITH SUCH A MEETING SHOULD NOT BE CONDITIONAL UPON ATTENDANCE BY ANY GIVEN NUMBER OF CREDITORS. WE WOULD ALSO THINK IT DESIRABLE TO MAKE IT CLEAR THAT THE MEETING IS INTENDED TO BE THE FIRST STEP IN ATTAINING A MULTILATERAL APPROACH TO RESCHE-

DULING CHILE'S DEBT. THIS POINT IS OF SOME SIGNIFICANCE SINCE THE INTEGRITY OF THE PARIS CLUB PROCEDURE WOULD SEEM TO REQUIRE THAT A DISCUSSION OF A MULTILATERAL RESCHEDULING, PARTICULARLY ITS TERMS AND CONDITIONS, SHOULD BE CONFINED TO CREDITORS WHO CAN CONTEMPLATE ASSOCIATING THEMSELVES WITH THE MULTILATERAL UNDERSTANDING (AGREED MINUTE) WHICH IS THE NORMAL OUTCOME OF THE CLUB PROCEDURE. (FYI. WE OBVIOUSLY WOULD HAVE GREAT DIFFICULTY WITH A MEETING IN WHICH THE UK, SWEDEN AND OTHERS WOULD BE FREE TO EXPOUND UPON THE POLITICAL/HUMAN RIGHTS PROVISIONS THAT THEY FEEL SHOULD BE IN A CLUB MINUTE WHILE HAVING NO INTENTION OF ASSOCIATING THEMSELVES WITH THE AGREED MINUTE. END FYI)

3. REGARDING DATES FOR THE INFORMAL CREDITORS MEETING, WE WOULD TRY TO ACCOMMODATE OURSELVES TO DATES IN APRIL CONVENIENT TO OTHER CREDITORS BUT WOULD SUGGEST THAT APRIL 24-25 (ASIAN DEVELOPMENT BANK ANNUAL MEETING) AND APRIL 28-29 (OECD INVESTMENT COMMITTEE) WOULD INVOLVE CONFLICT FOR U.S. DELEGATION AND PRESUMABLY FOR OTHERS AS WELL.

4. WE WOULD URGE THE GOVERNMENT OF FRANCE TO INFORM IBRD PRESIDENT MCNAMARA AT THE EARLIEST OPPORTUNITY OF ITS INTENTION TO CONVENE AN INFORMAL MEETING OF PARIS CLUB CREDITORS IN APRIL. ON APRIL 1, IBRD PRESIDENT MCNAMARA WITHDREW FROM THE BANK BOARD HIS RECOMMENDATION FOR ACTION ON A DOLS. 20 MILLION AGRICULTURE REHABILITATION LOAN TO CHILE CITING THE UNCERTAINTY REGARDING A CREDITORS' MEETING IN APRIL. MCNAMARA HAS INDICATED HE WOULD RESUBMIT A FAVORABLE RECOMMENDATION TO THE BOARD IF THE PARIS CLUB PROCESS WERE BACK ON THE TRACKS. HE MADE IT CLEAR THAT HE WOULD NOT AWAIT COMPLETION OF THE PARIS CLUB PROCESS BUT WOULD WISH TO BE REASSURED THAT CREDITORS WERE PROCEED-
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ING. DELAY IN WORLD BANK LENDING TO CHILE AND CONSEQUENT FURTHER DETERIORATION IN CHILE'S CREDITWORTHINESS IS NOT IN THE INTEREST OF CREDITORS GIVEN THEIR OBJECTIVE OF PRESERVING THEIR CAPITAL. IN AGREEING TO AN INFORMAL MEETING IN APRIL WE PRESUME THAT THE CHAIRMAN OF THE CLUB HAS THE SAME INTEREST. WE WOULD THEREFORE HOPE THAT THE GOVERNMENT OF FRANCE COULD INSTRUCT ITS EXECUTIVE DIRECTOR BOTH TO INFORM MCNAMARA OF THE UPCOMING INFORMAL MEETING AND URGE HIM TO

PROCEED WITH THE IBRD LOAN TO CHILE. THE U.S. WILL BE MAKING A COMPARABLE APPROACH AND WE ARE REQUESTING THE FRG TO DO LIKEWISE. MCNAMARA HAS SPECIFICALLY STATED HE NEEDS SUPPORT FROM FRANCE, THE FRG AND THE U.S. ON THIS POINT.

ASSISTANT SECRETARY ROGERS HAS CONVEYED TO THE FRENCH AMBASSADOR AND GERMAN CHARGE IN WASHINGTON THE SECRETARY'S

REQUEST FOR THEIR SUPPORT IN URGING MCNAMARA TO PROCEED WITH THE CHILE LOAN. HE HAS ALSO ASKED THE FRENCH TO ADVISE MCNAMARA THAT THEY WERE OPTIMISTIC THAT PARIS TALKS WOULD BE HELD SOON, AND THAT THE OBJECTIONS TO THOSE TALKS ARE IN ALL EVENTS POLITICAL; NO COUNTRY HAS CONTENDED THAT THE ECONOMIC PLAN IS UNSOUND.

5. FOR BONN: PLEASE CONVEY THE POINTS IN PARAS 2, 3, AND 4 TO THE HIGHEST APPROPRIATE LEVEL IN THE MINISTRIES OF ECONOMICS AND FOREIGN AFFAIRS. IN PARTICULAR, YOU SHOULD PRESENT AGREEMENT TO PROCEED WITH A CREDITORS' MEETING AND AN FRG APPROACH TO MCNAMARA ON PROCEEDING WITH THE CHILE LOAN AS COMPLEMENTARY APPROACHES TO PRESERVING CHILE'S CREDITWORTHINESS AND THEREFORE THE CREDITORS CAPITAL. YOU SHOULD ALSO ASK THE FRG TO CLARIFY WITH THE FRENCH ITS

CONCEPT THAT AN INFORMAL CREDITORS MEETING WOULD BE FOLLOWED IN A FORTNIGHT BY A MEETING OF THE PARIS CLUB ITSELF (BONN'S REFTEL). THIS SCENARIO WHICH WE WOULD SUPPORT OBVIOUSLY CONFLICTS WITH EMBASSY PARIS' ASSESSMENT OF FRENCH INTENTIONS (PARIS' REFTEL).

5. FYI: DELAY OF A MEETING OF THE PARIS CLUB UNTIL SUMMER IS NOT A VIABLE PROCEDURE IF THE OBJECTIVE IS TO AVOID GENERAL OR SELECTIVE DEFAULT BY CHILE. AN INFORMAL CREDITORS MEETING IN APRIL MUST BE THE BEGINNING OF A RESCHEDULING PROCESS. END FYI. KISSINGER

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